

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 4082

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E.O. 11652: N/A
TAGS: ETRD, EAGR ET
SUBJECT: COFFEE SITUATION IN ETHIOPIA

REF: A. STATE 111015, B. ADDIS 1450, C. ADDIS 1054

COFFEE EXPORTS FROM ETHIOPIA THIS YEAR ARE LAGGING
SUBSTANTIALLY COMPARED WITH PREVIOUS YEARS. COFFEE TRADE
SOURCES ESTIMATE THAT APPROXIMATELY 32,000 TONS OF COFFEE
HAVE BEEN EXPORTED AS OF MAY 15, WHEREAS NORMALLY BY THIS
TIME 45,000 TONS SHOULD HAVE BEEN EXPORTED. OF THIS AMOUNT
THE US SHARE IS SMALLER THAN HAS HISTORICALLY BEEN THE CASE.
THERE HAS BEEN NO INTEREST FROM NEW YORK BUYERS SINCE
MID-APRIL. THE SHARP REDUCTION IN COFFEE EXPORTS IS NOT A
RESULT OF GOVERNMENT POLICY. TO THE CONTRARY, THE ETHIOPIAN
COFFEE BOARD HAS BEEN DOING ITS BEST TO
ENCOURAGE PEASANT ASSOCIATIONS AND OTHERS HOLDING COFFEE TO SELL.
THE GOVERNMENT DOES, HOWEVER, INDIRECTLY AFFECT COFFEE SALES
FOR EXPORT THROUGH ITS EXPORT SURTAX SYSTEM (SEE REF B.). TWO
WEEKS AGO THE COFFEE EXPORTERS ASSOCIATION HELD A MEETING
WITH THE VICE-GOVERNOR OF THE NATIONAL BANK TO URGE THAT THE
SURTAX BE BASED ON A DIFFERENT REFERENCE PRICE THAN SANTOS IV
AND THAT IT BE CHANGED EVERY WEEK INSTEAD OF EVERY FOUR WEEKS.
THE VICE-GOVERNOR PROMISED TO LOOK INTO THE MATTER AND ASK
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THE COFFEE EXPORTERS ASSOCIATION TO PUT THEIR PROPOSALS IN
WRITING WHICH THE ASSOCIATION HAS SUBSEQUENTLY DONE. SO FAR THE
GOVERNMENT HAS TAKEN NO ACTION ON THESE PROPOSALS. INFORMED
SOURCES BELIEVE THAT THE MINISTRY OF FINANCE WILL PROBABLY WAIT
UNTIL THE FROST SEASON IN BRAZIL HAS PASSED (SOMETIME AFTER
THE FIRST PART OF JULY) AND, SHOULD NO FURTHER CROP DAMAGE
OCCUR IN BRAZIL, THE MINISTRY MAY WELL DECIDE TO MODIFY ITS

SYSTEM TO ENCOURAGE INCREASED EXPORTS. EVEN WITH THE CURRENT EXPORT SURTAX SYSTEM, HOWEVER, FARMERS CONTINUE TO RECEIVE VERY HIGH PRICES FOR THEIR COFFEE AND APPARENTLY ARE WAITING TO SEE IF THEY CANNOT OBTAIN EVEN HIGHER ONES. THERE IS LITTLE OR NO EVIDENCE OF INCREASED SMUGGLING OUT OF ETHIOPIA AND MOST OBSERVERS CONTINUE TO BELIEVE THAT THE EXPORTABLE SURPLUS FROM LAST YEAR'S CROP IS APPROXIMATELY 80,000 TONS. IN ADDITION TO THE 32,000 TONS ALREADY EXPORTED, IT IS ESTIMATED THAT EXPORTERS HOLD 4 - 5,000 TONS AND COFFEE BROKERS IN ADDIS APPROXIMATELY THE SAME WITH THE BALANCE STILL IN THE HANDS OF PEASANT ASSOCIATIONS IN THE COFFEE PRODUCING PROVINCES.

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